

# 2018-20 Executive Progress Report

Commonwealth of Virginia  
Secretary of Health and Human Resources  
Department of Medical Assistance Services

## At A Glance

To improve the health and well-being of Virginians through access to high-quality health care coverage.

**Staffing** 429 Salaried Employees, 59 Contracted Employees, 517 Authorized, and 104 Wage Employees.

**Financials** Budget FY 2019, \$12,084.16 million, 40.05% from the General Fund.

**Trends Legend**

↑ Increase, ↓ Decrease, → Steady

**Key Perf Areas**

- ↑ Managed care
- ↑ Community care
- ↑ Prenatal care
- ↑ Immunizations for children

**Productivity Legend**

↑ Improving, ↓ Worsening, → Maintaining

For more information on administrative key, and productivity measures, go to [www.vaperforms.virginia.gov](http://www.vaperforms.virginia.gov)

## Background and History

### Agency Background Statement

The Department of Medical Assistance Services (DMAS) is one of 12 state agencies under the Health & Human Resources secretariat. It administers a variety of health care programs for qualifying Virginians. Medicaid, an entitlement program authorized under Title XIX of the Social Security Act, is financed by the state and federal governments and administered by the states. The Federal Medical Assistance Percentage (FMAP) rate for the Virginia Medicaid program is currently at 50%. The Children's Health Insurance Program (CHIP), authorized under Title XXI of the Social Security Act, is also jointly financed by the state and federal governments, but unlike Medicaid is not an entitlement program. Virginia's CHIP program is known as FAMIS, Family Access to Medical Insurance Security. The FMAP for FAMIS is currently at 88%; however, it will drop to 76.5% in October 2019 and to 65% in October 2020. In 2019, the expansion of Medicaid provided a new comprehensive coverage option for up to 400,000 Virginians. The Federal Medical Assistance Percentage (FMAP) rate for the Expansion population is currently at 90%, with the remaining 10% paid for by the hospital assessment.

While Medicaid was created to assist individuals with low income, eligibility for coverage in Virginia is dependent upon other criteria as well.

Medicaid coverage is primarily for persons falling into particular categories, such as low-income children, pregnant women, the elderly, individuals with disabilities, and parents meeting specific income thresholds. Within federal guidelines, states set their own income and asset eligibility criteria for Medicaid, which results in a large variation in eligible populations. In Virginia, income and resource requirements vary by eligibility category.

Enrollment in Virginia's Medicaid and FAMIS programs currently totals 1,370,580 individuals. Additionally, the average Virginia House district has 16% of its constituents enrolled in Medicaid, as does the average Virginia Senate district.

### Major Products and Services

As permitted under federal law, the Virginia Medicaid program covers a broad range of services, with nominal cost sharing for most beneficiaries. There are two types of services – those required by federal law and those that are options for the state. Virginia Medicaid covers all federally mandated services, including inpatient and outpatient and emergency hospital; physician and nurse midwife; clinic, laboratory and x-ray; transportation; family planning; nursing facility; home health; and the Early and Periodic Screening, Diagnosis, and Treatment program for children (EPSDT).

In addition to required services, Virginia Medicaid also covers several optional services, including certified pediatric nurse and family nurse practitioner services; routine dental care for persons under age 21; dental care for pregnant women; primary care and behavioral health services for

uninsured individuals with serious mental illness; prescription drugs; rehabilitation services either in or outside of the home (physical and occupational therapy, and speech language pathology services; hospice; certain mental health and substance abuse services; and intermediate care facilities for individuals with developmental and intellectual disabilities and related conditions.

Medicaid members also receive coverage through home and community-based waiver programs. These waivers provide community-based long term services and supports as an alternative to institutionalization. The following waiver programs are available to Medicaid beneficiaries who meet the level of care criteria: Alzheimer’s Assisted Living, Day Support, Commonwealth Coordinated Care Plus, Intellectual Disability, Technology Assisted, and Individual and Family Developmental Disabilities Support.

In addition, DMAS implemented the Addiction and Recovery Treatment Services (ARTS) benefit in April, 2017 to increase access to treatment for Medicaid members with opioid use disorders (OUD) and other substance use disorders (SUD), which includes abuse of alcohol and other legal and illegal drugs, but not tobacco. Five services are covered under ARTS: 1. medically managed intensive inpatient services; 2. substance use residential/inpatient services; 3. substance use outpatient and intensive outpatient and partial hospitalization; 4. opioid treatment; 5. early intervention services, care coordination and case management services; and 6. withdrawal management services.

**Customers**

**Customer Summary**

DMAS provides health care coverage to individuals through two general care delivery models: (1) a model utilizing contracted managed care organizations (MCO) to coordinate care, and (2) a fee-for-service (FFS) model in which service providers are reimbursed directly by DMAS. Virginia has been increasing its use of the MCO program because of the value it provides to enrollees and to the Commonwealth. As of September 2018, over 95% of Medicaid enrollees were in managed care.

The new Medallion 4.0 MCO program is available in all regions of the state. Medallion 4.0 is designed to increase integration of behavioral health by including both Community Mental Health/Rehabilitation Services and Early Intervention into services administered by the Medicaid Managed Care plans. This program includes the majority of Medicaid-enrolled children, pregnant women, low-income caretakers of children, and certain individuals who qualify for the “Aged, Blind, and Disabled” eligibility group. The Commonwealth’s Medallion 4.0 plans are Anthem, United Health Care, Virginia Premier, Optima Health, Magellan Complete Care, and Aetna Better Health. Agency priorities for Medallion 4.0 include engaging health systems and stakeholders, providing holistic and integrated care to members, adding new services and populations, and the use of flexible delivery systems and innovative payment models.

The Commonwealth Coordinated Care (CCC) program was updated and improved as the CCC Plus program. CCC Plus is designed to be Virginia’s single program to coordinate delivery of primary, preventive, acute, behavioral, and long term services and supports. This Medicaid managed long term services and supports program serves approximately 210,000 aging or medically fragile individuals. It also includes adults and children with disabilities. All members receive care coordination through a person-centered program design; the integrated delivery model includes medical and behavioral health services and long term services and supports. CCC Plus promotes innovation and value based payment strategies, and seeks to better manage/reduce expenditures through managed care. The health plans participating in the program are Aetna, Anthem, Magellan, Optima, United, and Virginia Premier.

DMAS engages its members and providers in a variety of manners, including public meetings, soliciting feedback from stakeholders, publishing information on the agency website, and through written correspondence. DMAS will continue to identify ways to engage its members and other stakeholders, including holding public meetings of the Medicaid Member Advisory Committee formed in 2019.

**Customer Table**

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Low-Income	Medicaid Providers	53,344	0	Increase
Low-Income	Total Beneficiaries / Clients in Medicaid and FAMIS (Titles XIX and XXI)	1,370,580	0	Increase
Low-Income	Low-Income, Aged, and Disabled Virginians with Mental Health or Intellectual Disability in facilities (e.g., nursing facilities, ICF/MRs)	19,686	0	Decrease
Low-Income	Low-Income, Aged, or Disabled Virginians with a diagnosis of HIV+	26	0	Stable
Low-Income	Recipients, Seniors, and Persons with Disabilities who meet eligibility requirements	223,652	0	Increase
Low-Income	FAMIS MOMS – Uninsured pregnant women with income > 133% FPL and < 200% FPL	1,293	0	Increase
Low-Income	CHIP: Uninsured children age 6 to 19 with family income between 109% and 143% FPL	65,969	0	Increase
Low-Income	CHIP: Uninsured children under 19 with family income >143% FPL (federal poverty level) and < 200% FPL	71,937	0	Increase

Low-Income	Medicaid: Caretaker Adults (inc. Expansion)	202,151	0	Increase
Low-Income	Medicaid: Pregnant women	14,454	0	Increase
Low-Income	Medicaid: Children	511,563	0	Increase
Low-Income	Medicaid: Family Planning (limited benefit)	41,089	0	Stable
Low-Income	Medicaid: Expansion	175,219	0	Increase
Low-Income	Program of All-inclusive Care for the Elderly (PACE)	1,212	0	Increase
Low-Income	Long Term Care in the Community (Waivers)	49,082	0	Increase
Low-Income	Low-Income, Aged Blind and Disabled in Long Term Care Facilities	19,686	0	
Low-Income	Low-Income, Aged Blind and Disabled not in Long Term Care Facilities	153,672	0	Increase
Low-Income	Temporary Detention Orders	12,887	0	Decrease

## Finance and Performance Management

### Finance

#### Financial Summary

The agency base budget is currently funded with approximately 45% state general funds and 55% non-general funds. The non-general funds are comprised of Federal Funds, the Virginia Health Care Fund, the FAMIS Trust Fund and other special funds. The Federal Medical Assistance Percentage (FMAP) rate for the Virginia Medicaid program is currently 50%. With the implementation of Medicaid Expansion, the FMAP for the Expansion population is at 90%. The budget table below reflects the FY 2018-2020 appropriation as reflected in Chapter 1 of the 2018 Appropriation Act.

#### Fund Sources

Fund Code	Fund Name	FY 2019	FY 2020
01000	General Fund	\$5,008,158,914	\$5,159,981,592
02104	Nursing Facility Sanctions	\$1,000,000	\$1,000,000
02207	Medicaid Intrgvrmntl Transfer	\$1,265,000	\$1,265,000
02602	Dmas Special Revenue Fund	\$40,332	\$69,320
09033	Va Children'S Med Sec Ins Plan	\$14,065,627	\$14,065,627
09105	Uninsured Medical Catastrophe	\$40,000	\$40,000
09490	Virginia Health Care Fund	\$410,279,068	\$364,019,578
09780	Healthcarecoverageassmntfund	\$83,008,724	\$298,541,072
09790	Healthcareprvdrpymntassmntfund	\$194,559,026	\$420,405,376
10000	Federal Trust	\$6,889,899,995	\$9,446,171,401

#### Revenue Summary

The Agency's total revenue consists of two types of resources: general funds (GF) and non-general funds (NGF). General fund revenues are derived from routine taxes paid by citizens and businesses in Virginia. DMAS uses this revenue to provide matching state funds required by the federal government for federal grants.

Non-general funds are obtained from federal funds, and grants are the largest single source of non-general fund revenue for DMAS. About 88% of all NGF revenue is from these federal sources. The remaining non-general revenue is from various sources such as funds returned due to cost settlements, audit collections, and pharmacy rebates.

### Performance

#### Performance Highlights

DMAS continuously strives to make the Medicaid and FAMIS programs even more cost-effective and quality-focused. The primary areas of focus to achieve this outcome revolve around care-coordination, improved business flow with enterprise-based information management, and program integrity. Specifically, DMAS is working to bring care coordination principles to all populations and services under programs that it administers. This includes the examination and development of care coordination models to improve service delivery for Medicare-Medicaid dual enrollees. In addition to care coordination, DMAS and our partners across the Health and Human Resources (HHR) Secretariat are taking advantage of unprecedented federal funding to modernize eligibility systems across the HHR spectrum. For DMAS, this entails a new eligibility

determination and enrollment system (VaCMS) that automates, to the extent possible, the eligibility process resulting in real-time determinations of eligibility for certain applicants of Medicaid and FAMIS.

**Selected Measures**

Measure ID	Measure	Alternative Name	Estimated Trend
M602SA12002	Percentage of clients served through a capitated care program for coverage of their acute/medical services	Managed care	Improving
M602SA12030	Percentage of long-term care recipients who are served in the community	Community care	Improving
M602SA12028	Percentage of pregnant women in managed care who receive timely prenatal care	Prenatal care	Improving
M602SA12001	Percentage of two year olds in managed care who are fully immunized	Immunizations for children	Improving
60249900.006.002	Unit cost of processing Medicaid claims	Cost per claim	Maintaining

**Key Risk Factors**

**DEMOGRAPHICS** – As the number and age of persons DMAS serves increases, there are increased demands for long-term care and home and community based service programs.

**NETWORK ACCESS** – DMAS relies on its contracted health care providers to deliver services to customers. While periodically some provider groups receive increases in reimbursement, others receive only modest amounts. Even with these occasional increases, many providers are still paid well below the amounts paid by commercial insurers. Without sufficient increases, access to care may decline as providers make business decisions to no longer accept Medicaid or FAMIS patients.

**FEDERAL CHANGES** – Implementation of the Patient Protection and Affordable Care Act of 2010 (PPACA) continues to require substantial agency efforts. Virginia chose to implement the Medicaid expansion, which shall cause a significant increase in enrollment - up to 400,000.

**COORDINATION OF SERVICE** – DMAS works with 23 other state agencies, 10 of which are involved in healthcare-related activities on DMAS' behalf. One is the Virginia Department of Social Services (VDSS) that provides enrollment services for Medicaid and FAMIS applicants through 121 local departments of social services (LDSS) with costs exceeding \$100 million annually. As the agency responsible for Medicaid, DMAS is accountable to federal authorities for resolving any issues of non-performance or payment.

**EXPENDITURES** – Expenditures for the agency have increased from \$4.9 billion in SFY 2006 to nearly \$10 billion in SFY 2018. This increase has occurred despite a number of major savings and reform initiatives. In the last biennium enrollment in Medicaid/FAMIS has increased from 1,106,920 to 1,208,345 individuals and the service benefit package was enhanced as well.

**Agency Statistics**

**Statistics Summary**

Children and parents or caretakers of children comprise almost 70% of Medicaid beneficiaries, but they account for less than a third of Medicaid total spending. Persons who are elderly or who have disabilities account for the majority of Medicaid spending because of their intensive use of acute and long-term care services.

Approximately 85% of the DMAS customer base is served through the Medicaid program. Factors that could affect the number of Medicaid customers include changes in the Virginia economy, private insurance market forces that result in an increase in the rate of the un-insured, or federal/state policy changes affecting program eligibility.

**Statistics Table**

**Description Value**

**Management Discussion**

**General Information About Ongoing Status of Agency**

Currently the Agency is undergoing significant internal process transformation, and as well as implementing Medicaid Expansion, updating the Medallion 4.0 and CCC Plus managed care programs to support Medicaid Expansion. In addition, DMAS is also working the Dept. of Behavioral Health and Developmental Services to transform the coverage and delivery of Behavioral Health services in the Medicaid and FAMIS programs. Finally, DMAS has implemented the new Addiction and Recovery Treatment Services (ARTS) program, to more effectively address the treatment needs of individuals with substance use issues.

The Agency is implementing all these innovations centered around coordinated care, person centered planning and trauma informed care. In its partnership with the six managed care plans that provide services individuals in the Medallion 4.0 and CCC Plus programs, DMAS is also focusing

on value-based payment, data transparency and social determinants of health.

### **Information Technology**

DMAS is revolutionizing the foundation of its entire information technology (IT) system. Through a phased-in procurement process, DMAS is implementing the conversion of its IT system from the former monolithic, mainframe claims processing and enrollee data system into a new agile and far more powerful Medicaid Enterprise IT System (MES). The MES is a web-based modular system built by multiple vendors who are not simply replacing previous IT solutions to process Medicaid claims and keep track of enrollee data. The agency's new system sets the standard for speedy processing solutions, robust interconnectivity, and simplicity. The MES system will also provide DMAS with multiple applications to address agency business needs, including an Enterprise Data Warehouse and a Medicaid Appeals tracking system.

As part of this effort DMAS has also partnered with the Department of Social Services to create a new Medicaid Eligibility and Enrollment IT system. In addition, DMAS has also created a new user-friendly, interactive mobile-compatible website. DMAS is the first Medicaid agency in the country to procure and implement a modular Medicaid IT system, and will be a model followed by Medicaid agencies in the other states.

### **Workforce Development**

The Department of Medical Assistance Services is a highly professional and efficient organization. DMAS has over 20 divisions and offices, including the Executive Management Team. Overseeing all Medicaid activities and resources in these divisions for over 1.2 million beneficiaries are over 400 authorized classified positions (for SFY2019) with an average of 380 filled or in recruitment. DMAS also utilizes about 120 hourly and contract employees to supplement the agency workforce.

DMAS is currently looking inward, reviewing almost every aspect of employee recruitment, on-ramping, continual engagement and organization. Processes for the review and approval of work product are being updated and improved, and the Agency has adapted a more flexible approach to individual staff responsibilities, placing individuals on temporary duty on other projects or in other divisions to address immediate, mission-critical project needs. Executive management has instituted enhanced forms of internal communication as well, including multiple employee surveys, and web-based town-hall meetings.

With all this activity there is some concern regarding DMAS' aging workforce. Potential retirements could have a significant impact on the agency's operations in terms of the loss of experienced managers and other key agency staff. DMAS is formulating greater legacy training to address this concern. The retention of highly-skilled employees, evident by low employee turnover rates, continues to be emphasized through effective employee recognition programs, training, and fair and consistent compensation practices.

### **Physical Plant**

DMAS is located in a privately leased building at 600 E. Broad Street, Richmond, VA 23219.

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